

**State Board of Equalization**

**OPERATIONS MEMO**

For Public Release

No: 1097

Date: January 31, 2002

**SUBJECT: Commencement of the Additional .25% State Sales and Use Tax Rate per Revenue and Taxation Code Sections 6051.45 and 6201.45**

**I. GENERAL**

Revenue and Taxation Code sections 6051.45 and 6201.45 provide conditions under which a .25% state sales and use tax increase may be imposed. If the Director of Finance on or before November 1, certifies the General Fund reserve is less than 3% of revenues excluding the revenues derived from the .25% sales and use tax rate, and the actual General Fund revenues for the period May 1 through September 30, do not equal or exceed the May Revision forecast prior to the November 1 determination, the additional .25% sales and use tax imposed by Revenue and Taxation Code sections 6051.3 and 6201.3 will become operative in any calendar year beginning on January 1, 2002.

The Director of Finance determined on November 2, 2001, these conditions have been met and, as a result, the state sales and use tax increased by .25 beginning January 1, 2002. Accordingly, the general fund portion of the state sales and use taxes increased from 4.75% to 5%, increasing the minimum statewide sales and use tax rate to 7.25%.

**II. ADD-ON CODES**

Add-on code 057 *Additional Sales and Use Tax* (ASUT) provides for the .25% sales and use taxes imposed by Revenue and Taxation Code sections 6051.3 and 6201.3. As of December 31, 2000, add-on code 057 ceased to operate, however add-on codes 055 and 056, *State and Local Revenue Fund* (SLRF) and *Local Public Safety Fund* (LPSF), respectively, continued to operate. On January 1, 2002, add-on code 057 was reinstated, and both add-on codes 055 and 056 will continue to operate.

**III. NOTICES TO TAXPAYERS**

A Special Notice containing information regarding the .25% state sales and use tax rate increase was mailed to all sales and use tax permit holders, district offices, and Headquarter sections. A copy of the notice is available on the Board of Equalization's website.

Pamphlet 71, *California City and County Sales and Use Tax Rates*, has been revised and is available both in hard copy and on the Board of Equalization's website. Tax rate charts are also available on the Board's website.

Changes to the mass return addressing and online return printing functions have been made to ensure proper distribution of taxpayer returns and related schedules.

#### **IV. EXEMPTIONS**

Revenue and Taxation Code sections 6356.5, 6356.6, 6357.1, 6358.5, 6377, 6378, and 6378.1 provided partial exemptions of 4.75% from the state sales taxes imposed by section 6051 and state use taxes imposed by section 6201 through December 31, 2001. As of January 1, 2002, the partial exemption of 4.75% increased to 5%. This information was included in the Special Notice mailed to taxpayers. Holders of Manufacturer's Exemption Certificates were sent a letter explaining the state sales and use tax rate increase, however new (revised) certificates will not be issued to current certificate holders.

Sales and Use Tax Regulations 1525.2 and 1532 are being revised and will be published at a later date.

#### **V. SUMMARY**

Compliance and audit forms are being revised and will be distributed to users upon receipt of new stock. The IRIS interest program, AUD PI, has been modified to accommodate the .25% state sales and use tax increase.

Questions should be directed to the Local Revenue Allocation Section in Headquarters.

#### **VI. OBSOLESCENCE**

This Operations Memo will become obsolete when the information contained herein is incorporated into the Business Taxes Law Guide, the Business Taxes Code Book, and the Compliance Policy and Procedures Manual.

Ramon J. Hirsig  
Deputy Director  
Sales and use Tax Department